

# TTC AUDIT COMMITTEE REPORT NO.

**MEETING DATE:** April 19, 2011

**SUBJECT:** INTERNAL AUDIT CAPITAL REPORT – SUBWAY ASBESTOS  
REMOVAL PROJECT

## **INFORMATION ITEM**

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### **RECOMMENDATION**

It is recommended that the Audit Committee receive for information the attached Internal Audit Capital Report.

### **BACKGROUND**

Internal Audit provides the Commission with independent evaluations of the efficiency and effectiveness of control systems, and operations. Internal Audit is also required to provide recommendations for improvement.

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Richard G. Beecroft  
Chief Auditor

April 19, 2011  
01-23

Attachment – Internal Audit Capital Report

# TORONTO TRANSIT COMMISSION

**TO** Dick Beecroft

**FROM** Tom Perry

**DATE** November 2, 2010

**SUBJECT** Internal Audit – Subway Asbestos Removal Project

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## Summary

An audit of the Subway Asbestos Removal Project has been conducted. Audit work performed indicates adequate documentation has been maintained to support recorded TTC labour and non-labour expenditures. The allocation of costs for internal work car usage for 2010 has not been charged and weaknesses were noted in the payment for asbestos waste containers.

## Background

This project entails the removal or enclosure of asbestos material from “subway structures/locations”. Thermal and acoustic asbestos bearing material has been used in varying quantities throughout Commission facilities. It is found as fireproofing on structural steel, as an acoustic damper on tunnel walls and as a thermal insulation around steam and hot water pipes.

The actual costs for this project for the audit period of 2009 and as at the end of August 2010 and Life to Date are comprised of the following:

<b>Expenditures:</b>	<b>Audit Period 2009 &amp; 2010 Period 8 (\$ Million)</b>	<b>LTD (\$ Million)</b>
TTC Labour, Fringes & Overhead	\$1.6	\$15.9
TTC Non-Labour	\$1.3	\$16.6
<b>Total</b>	<b>\$2.9</b>	<b>\$32.5</b>

## Observations

We reviewed documentation, financial records and various correspondence relating to the Subway Asbestos Removal Project for 2009 and 2010. While costs allocated to this project were generally found to be reasonably supported and documented, the use of work car costs for 2010 were not charged to the project.

Finance and the Support Services agreed with Audit that work car costs should have been captured and charged to the project for 2010. The estimated costs omitted are approximately \$80,000.

Audit's review of the asbestos waste container contract noted payment of a daily rental fee not specified under the terms and conditions of the contract. There is no amendment to the contract which allows for this type of payment. Audit estimates the overcharge to be approximately \$22,000.

Acceptable items noted by Audit included the following:

- TTC labour, fringe and overhead costs accounted for approximately 50% of the total recorded project costs. Labour charges were properly supported by signed time cards and attendance sheets and incurred by appropriate cost centres.
- Direct purchases charged to the project and sampled by Audit included items and services procured from Hansler Smith, Superior Propane, Somerville National, Mister Chemical, Hanford Lumber and G & K Services. Adequate contract administration controls were in place to ensure adherence to all terms and conditions of applicable vendor agreements.
- Items purchased were found to be on site and accounted for.
- Charges to the project for 2009 work car usage were properly accounted for and are reasonable.
- Purchasing card transactions sampled by Audit were found to be justified and reasonable.

#### Recommendation

Management should ensure all costs associated with the Subway Asbestos Removal Project such as work car usage are tracked and charged to the applicable capital project; and, services contracts are properly paid for within the terms and conditions of the contract.

#### Management Agrees

The 2010 work car charges were suspended for a time necessary to revise process to remove the onerous accounting away from front-line Forepersons and assign it to administrative staff better suited to the tasks. Management is working with Finance staff to have defined process in place by mid-2011 to accurately reflect these charges against the appropriate capital accounts.

The findings point to a staff error on behalf of the Project Clerk. Management has since brought together all contract files under a single contract administrator who has a comprehensive understanding of the contract administration process and therefore, checks that items that are billed and paid for are included in the contract.

Current Status:

Attached, are Management's revised responses dated March 25, 2011.

Auditor  
Internal Audit  
01-33  
File #08-70000-06

## **INTERNAL AUDIT – SUBWAY ASBESTOS REMOVAL PROJECT**

Update on audited items found unacceptable:

### **1. WORKCAR CHARGES**

**FINDINGS:**

The use of workcar costs for 2010 were not charged to the project.

**MANAGEMENT'S RESPONSE:**

The 2010 workcar charges were suspended for a time necessary to revise process to remove the onerous accounting away from front-line Forepersons and assign it to administrative staff better suited to the tasks. Management is working with Finance staff to have defined process in place by mid-2011 to accurately reflect these charges against the appropriate capital accounts.

**STATUS:**

The 2010 workcar charges have been charged appropriately.  
New process development is ongoing.

### **2. WASTE CONTAINER CONTRACT**

**FINDINGS:**

Payment of a daily rental fee not specified under the terms and conditions of the contract. There is no amendment to the contract which allows for this type of payment.

**MANAGEMENT'S RESPONSE:**

The findings point to a staff error on behalf of the Project Clerk. Management has since brought together all contract files under a single contract administrator who has a comprehensive understanding of the contract administration process and therefore, checks that items that are billed and paid for are included in the contract.

**STATUS:**

Management has been working with M&P to determine current contract terms and conditions. It has been determined that a written agreement was made to allow for a \$7.50 daily rental fee per bin. Management is compiling and determining the overcharge and will be credited for such.